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EVALUATION OF BUNKER RAMO

I. INTRODUCTION

A. PURPOSE

- o This report provides a brief examination of the market appeal of the new micro based systems which Bunker Ramo is offering to the banking and brokerage industries.
- o The examination focusses upon the use of these systems as a means of providing products and services to banking and financial institutions.

B. METHODOLOGY

- o Interviews were held with personnel of banks and brokerage houses as well as with consultants that serve these industries. The interviews dealt with micro based systems in general and systems other than Bunker Ramo were also discussed in order to divert attention from the possible acquisition of Bunker Ramo.
- o A questionnaire was developed to use as a guide in conducting interviews. It is included in Appendix A.
- o The interviews covered material beyond the scope of the questionnaire. It was meant to serve merely as a guide.

II EXECUTIVE SUMMARY

A. OPPORTUNITIES FOR THE ALADDIN SYSTEM IN BANKING

- o The Aladdin system should have opportunities in a number of banking applications, including:
 - Retail banking in branch offices where the system is being currently sold.

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- Trust, money market, and capital market departments when the use of a micro coupled with access to financial information would be useful.
 - Corporate cash management customers where it could be used as a treasury workstation.
- o Research on the potential market for the Aladdin system in banking does not reveal any system that stands out in regard to it although there is competition.
- The ISC and Ericsson systems and some smaller competitors may offer the most effective competition from a cost benefit standpoint.
 - Burroughs, NCR and, of course, IBM, will obtain business even if their equipment does not offer the same benefits. The competitive situation could become worse if these vendors improve their products.
- o Bunker Ramo should capitalize on its present opportunity in retail banking by aggressively selling Aladdin systems. Factors that might aid sales in this marketplace include:
- Demonstrations, particularly of applications that help a customer to select the right account offering, open an IRA or evaluate his portfolio.
 - Descriptions of applications in operation at customers.
 - A low cost, initial system that a customer could start with.
 - A trial installation period.
- o If this system is sold aggressively, it could provide an entree for selling other application software, turnkey systems and equipment such as ATM units or new card authorization equipment to banks. It could also become a vehicle for selling applications to bank customers as well.



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- o In addition, the Aladdin capability might be used for trust, money market activities, collateral portfolio pricing (which IDC, Muller and other vendors offer as an on-line or off-line service) and service to upscale consumers.

B. OPPORTUNITIES FOR THE ALADDIN SYSTEM IN THE BROKERAGE INDUSTRY

- o Bunker Ramo can provide an interesting micro capability together with access to quotes and other financial information. This capability will be of interest to present customers and through aggressive selling, it may be sold to other brokerage firms as well as other financial institutions, but the brokerage market does not seem to present as favorable an opportunity as the retail banking market does.
- o The brokerage market seems divided into segments that are driven by access to data that is immediate or extensive and segments that are driven by a need for economic sources of data. Bunker Ramo has to decide whether it wants to be a leader in either or both of these categories. A reliance on a good micro will not overcome being a secondary supplier of data.
- o Reliance upon a micro capability in the brokerage market also subjects Bunker Ramo to delays in decision making by some brokerage houses who are waiting to see what Merrill Lynch and IBM will offer.
- o Bunker Ramo might want to attack the automation needs of brokerage houses apart from the issue of database use. Its packages and ideas would aid the productivity of brokerage representatives and address back office needs. With an aggressive approach, it would probably win business against some of the turnkey and software vendors contacting brokerage houses of all sizes. Bunker Ramo would have to be prepared to compete on price, services and intensive contact with such a marketing plan, and this can be difficult against local, small vendors.
- o The most favorable way for Bunker Ramo to ^{proceed} ~~succeed~~ is to ^{be considered} ~~offer a combination~~ of being an attractive source of financial information which has a good micro capability. Research is needed to discover how the former capability can be

obtained.

- o At present, Bunker Ramo does not appear to present a favorable entree to brokerage industry business.

C. OPPORTUNITIES FOR BANKAMERICA

- o Bunker Ramo presents a favorable vehicle for penetrating the banking marketplace, but a questionable means of penetrating the brokerage industry. ✓
- o Further research is needed to find out what Bunker Ramo could achieve in attempts to upgrade or differentiate its information delivery service in order to access the value of the brokerage industry services. ✓
~~Access~~
- o Until such research is accomplished, BankAmerica should consider strategies for Bunker Ramo that would lessen the risks of acquiring the brokerage industry products and services.

III. SUMMARY OF INFORMATION GATHERING

A. BANK RESPONDENTS:

- o The system sounds well suited to retail or branch operation problems, particularly those of medium sized or larger branches according to 6 of 7 banks and three banking consultants interviewed.
- o Equipment that was mentioned in relation to Bunker Ramo included ISG and Ericsson. The latter was mentioned in terms of ergonomic design, incorporation of all activities in a branch and the use of a branch computer. A news items about this computer is enclosed as Appendix B. ✓
C.
- o The positive points noted for the Aladdin system focussed upon the integration of Bunker Ramo retail banking equipment with a micro programmed to do specific jobs that bank branches want to do today (e.g. helping a customer select the accounts he wants to use or automatically sending out welcome letters).

- o Respondents agreed in general that IBM, NCR and Burroughs do not have systems, that fully compete with the integration of banking equipment and micros that ISG and Bunker Ramo now offer, but they question whether Bunker Ramo can take advantage of the situation. Some banks and consultants do not feel that BR is conducting an intensive enough sales campaign.
- o Respondents mentioned that there are a number of firms with retail banking software packages for micros and limited terminal interfaces that will take business from BR if selling is not conducted aggressively.
- o Most respondents felt that IBM, Burroughs and NCR would install a certain percentage of micros in bank branches based on their regular contact with banks.
- o A point stressed by several consultants and banks was that packages available to help branches sell and explain IRA and new mortgage situations and provide information to aid personal financial decision making would be highly effective in today's market. They felt that lists of applications and demonstrations would be essential. They also felt that a package of applications and word processing letters should be prepared for different sizes of retail banks to demonstrate that a micro based system could appeal to a wide range of possible users.
- o It was felt that an asset liability model, that ran on Aladdin, might be an interesting product to offer to mid sized and smaller banks (deposits of \$700 million or smaller). This was not felt to be more than an enhancement to the product offering to counter the software of smaller competitors.
- o 60% of banks and consultants feel that the Aladdin system has potential as a vehicle to handle discount brokerage work and general support of activities for upscale consumers. However, most respondents feel that it might be necessary to conduct sales activities for those users in a more selective way with certain banks or even vendors, like Bradford or SEI.
- o Two consultants were highly enthusiastic about the Aladdin system for personal trust/retail banking applications. They felt that banks and insurance

companies that they were in contact with would find its software capabilities and access to financial data of great use.

- o Some banks and consultants felt that a system like Aladdin could be marketed as a treasury work station. It would provide a vehicle to communicate from a corporation's premises to a banks and be able to obtain financial information which would aid investment. It could also be programmed to handle debt and investment models and other applications needed for treasury purposes. Consultants felt this application had begun to become highly competitive and should be sold only in a selective manner.
- o When the name, Bunker Ramo, was mentioned, about 50% of respondents raised questions about the future of the organization. 20% felt that this might have an impact on business.
- o The sales of retail banking or branch automation systems is dependent on a combination of price and the ability to solve problems - according to all respondents, the capability of equipment and software applications, ease of use, and the attractiveness of equipment design are most important in decision making according to those interviewed. Bunker Ramo was reviewed well in regard to all points.
- o The use of higher level techniques to generate applications was felt to be an advantage by 70% of respondents. They understood that such techniques could be used by the vendor or by users. The other 30% wanted all software to be supplied by the vendor and were less interested in the language used.
- o The use of UNIX and the programming language was felt to be an advantage by 30% of respondents. The others were not sure.

B. BROKERAGE RESPONDENTS

- o Respondents from 3 of 5 brokerage houses and 2 consultants to the industry felt that the use of micros as a terminal would enhance the use of a services offering quotations and other information of interest in investments. The other two respondents felt that characteristics of the quote service (the

information made available and the timeliness of the information) would far outweigh the use of a micro.

- o The respondents who felt the use of a micro would have an effect, noted that it could:
 - Calculate prices of orders while a client was on the phone.
 - Allow representatives to set up tickler files to aid them in contacting or following up requests from clients.
 - Provide the means for tracking changes in relations _____ financial data that clients wish to follow.
 - Aid representatives to measure the performance of clients' portfolios (spreadsheet packages and graphical capabilities were mentioned in relation to this item).
 - Handle portfolio management tasks.
 - Provide word processing capabilities that would assist representatives to send out regular letters to clients with advice, review of activity or even birthday greetings.
- o Most respondents felt that the use of a micro together with a quote service could make brokerage representatives more productive.
- o Two respondents noted that training and user friendliness of operation were essential for micros used in this function.
- o 80% of the respondents who were enthusiastic about the use of a micro felt that it should not be a separate unit from the terminal used to access the quote or information service.
- o Most respondents would like software to be delivered or available for a micro which would run jobs that were likely to be useful. These respondents felt that

a list of available for software together with brief descriptions should be available and tailored to different segments of the market from offices of large brokerage chains to smaller firms.

- o Quotror, the leader in the price quotation market place is defending its turf by offering a micro as a terminal just as Bunker Ramo is. The QUOT-1000 Financial Office Services Computer will provide word processing, electronic mail, computerized filing and other services to brokerage firms or other types of firms. This capability might be of greater interest if Bunker Ramo, ADP, Merrill-IBM and other parties were not introducing similar or better products. Stephen McClellan notes in his book, The Coming, Computer Industry Shakeout, that the Quotien product will have better impact in pushing the sales of Quotien.
- o The development of quote systems based on micros to meet internal needs by larger brokerage houses will also have an impact on the ability of Quotien, Bunker Ramo and others to sell similar packages. The plans of Merrill Lynch and the contract that ADP has to build an internal system for Prudential Bache must be included in this category.
- o When general comments were elicited about the strategies of firms offering quote and financial information services and/or micro based capabilities to brokerage firms, questions were raised about the market segments which Bunker Ramo was trying to address with the Aladdin series.
 - 70% of respondents thought Bunker Ramo was concerned with addressing its existing customers, and had produced a unit that would appeal to many of them.
 - The same number also thought that Bunker Ramo was also trying to address other large brokerage institutions, but questioned whether they would be successful in this market segment. They felt that firms in this class would either want to wait and see what kind of sizzle the IBM-Merrill product would have or be interested primarily in the volume of information available from a service and the timeliness with which the information would be available. Respondents felt the latter group

would be interested in developments by Telerate, Reuters or ADP.

- Over half of the respondents doubted that Bunker Ramo was trying to appeal to small brokerage firms. They felt that the BR units sounded too expensive for smaller firms and felt such firms would be inclined to obtain micros and quotes from separate sources even if the micro was used as a terminal. Respondents noted that many economic sources were available for both. They also felt that quotes were becoming a commodity in this market segment.
- Respondents thought that mid-sized firms would be driven by the importance of quotes and financial information to their business. Firms that needed timely or extensive information for their business would be more interested in going to Telerate or Reuters than in obtaining an appealing micro. If they did not value information that critically, they might look for firms that used pricing information.
- o Three respondents commented that Bunker Ramo was in an in between position in the market. Prospects that are dependent on information are generally more interested in Telerate because it has government securities quotes or timely information, or Reuters because of its international information or in some other service for similar reasons. Prospects interested in low cost quotes will go to firms that specialize in reselling information. Prospects interested in what they can do with micros are waiting to see what Merrill and IBM will do or may be trying to do something on their own. (One manager at a brokerage house stated that the Merrill-IBM product might produce graphics to send to customers that would be very useful as a sales tool.
- o Several respondents also mentioned new services such as Pocket Quote, Dataspeed and Tickertic that could draw prospects for quote services from the personal market. Tickertic uses an IBM PC.
- o The availability of a split screen (or windows) on a micro that could be used for quotes and customer information was felt to be useful by 70% of respondents, but they felt that most major pricing services would offer such features. This point generally led to further discussion about what the Merrill-

IBM product would do.

- o The availability of a high level language or the C language for development purposes was also felt to be good but not of major importance to the success of a micro in the brokerage industry.
- o Most respondents felt that a set of applications for a micro that would handle back office processing for small or even mid-sized brokerage firms could be important. They noted that brochures and demonstrations would have to be available for such an activity.
- o Over 50% of respondents felt that the name, Bunker Ramo, did not connote strength in the brokerage industry and felt that a new name might be advantageous, even if the company was acquired.

BankAmerica Questionnaire

1. After discussing the Aladdin equipment with contacts at brokerage houses, banks or consultants, ask the following questions:

2. What positive points stand out from the discussion that we had?

3. What negative points stand out?

4. Will the use of a micro to add systems capabilities, enable a representative to perform meaningful actions for prospects or organize sales and follow up action?

Yes _____ Describe how you think they will:

No _____

5. Are there any limitations that you can think of? Describe any that you can think of:

6. Would you like a system delivered with programs to do a specific job?

7. What market segments do you think that BR is appealing to?

8. What do you think about the split screen capability? *split screen capability is a must together with integration with database.*

9. What do you think about the development tools? (Higher level, application developing languages and UNIX/c language).

10. With a product like this, would it be useful to have lists of actual and possible applications?

- 11. Would this type of product be good to serve upscale consumers (performance banking) through personal trust and retail applications?

12. Would this type of product be useful in bank branches to support equipment (ATM and MTM) and aid platform officers?

13. Would it be attractive for home banking?

14. Would the product be attractive for :

- . inquiry and response
- . local calculations
- . adhoc reporting
- . local calculations
- . Mortgage applications
- . Time reporting
- . What if models
- . Budgeting
- . Treasury work stations
- . Customer activated terminals
- . Word processing

15. What do you think about a system that includes the micro as a separate unit?

16. What does the name Bunker Ramo mean for this product? (Several names will be used so Bunker Ramo doesn't stand out?)

17. What other comments would you like to make about these products?

18. Do you think that prices for units like these might be problems?
